ADC TELECOMMUNICATIONS INC
Form 424B5
December 20, 2007

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-148137

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee
Convertible Subordinated Notes due 2015	$225,000,000(1)	100%(2)	$225,000,000(1)	$6,908(3)
Convertible Subordinated Notes due 2017	$225,000,000(4)	100%(2)	$225,000,000(4)	$6,908(3)
Common Stock, par value $0.20 per share(5)	(6)(7)	N/A	N/A	N/A(8)
Total			$450,000,000	$13,816

(1) Represents aggregate principal amount of the Convertible Subordinated Notes due 2015 (the 2015 Notes) being registered.

(2) Estimated solely for the purpose of calculating the registration fee.

(3) Calculated in accordance with Rule 457(i) under the Securities Act of 1933, as amended (the Securities Act).

(4) Represents aggregate principal amount of the Convertible Subordinated

Notes due 2017 (the 2017 Notes and, together with the 2015 Notes, the Notes) being registered.

(5) Also relates to rights to purchase shares of the Registrant s Series A Preferred Stock, no par value (the Rights), which are attached to all common stock. Until the occurrence of certain prescribed events, the Rights are not exercisable, are evidenced by certificates for the common stock and will be transferable along with and only with the common stock. The value attributable to the Rights, if any, is reflected in the value of the common stock.

(6) An indeterminate number of shares may be issuable from time to time upon conversion of the Notes.

(7) Pursuant to Rule 416 under the Securities Act, this Registration Statement also covers an indeterminate number of additional shares of common stock which may be issued from time to time as a result of stock splits, stock dividends and similar events, and the adjustment provisions of the Notes.

(8) No additional consideration will be received from the common stock issuable upon conversion of the Notes and therefore no registration fee is required pursuant to Rule 457(i) under the Securities Act.

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$400,000,000
ADC Telecommunications, Inc.

$200,000,000 3.50% Convertible Subordinated Notes due 2015
$200,000,000 3.50% Convertible Subordinated Notes due 2017

ADC Telecommunications, Inc. is offering $200,000,000 of its 3.50% Convertible Subordinated Notes due 2015 (the 2015 notes) and $200,000,000 of its 3.50% Convertible Subordinated Notes due 2017 (the 2017 notes and, together with the 2015 notes, the notes). We will pay interest on the notes semiannually, in arrears, on each January 15 and July 15, beginning on July 15, 2008, to the holders of record at the close of business on the preceding January 1 and July 1, respectively. The 2015 notes mature on July 15, 2015, and the 2017 notes mature on July 15, 2017.

Holders may convert their notes into a number of shares of our common stock determined as set forth in this prospectus, which we refer to as the conversion rate, at their option on any day to and including the business day prior to the maturity date. If, at the time of conversion, the applicable stock price of our common stock is less than or equal to $27.00 per share for the 2015 notes and $28.55 per share for the 2017 notes, which is referred to as the base conversion price for each series, the 2015 notes and the 2017 notes will be convertible into 37.0336 shares and 35.0318 shares of common stock, respectively, per $1,000 principal amount of the notes (which is referred to as the base conversion rate for each series), in each case, subject to adjustment upon the occurrence of certain events. If, at the time of conversion, the applicable stock price of our common stock exceeds the base conversion price, the conversion rate will be determined pursuant to a formula resulting in the receipt of up to an additional 27.7752 shares of common stock per $1,000 principal amount of the 2015 notes and up to an additional 29.7770 shares of common stock per $1,000 principal amount of the 2017 notes, in each case, subject to adjustment upon the occurrence of certain events and determined as set forth in this prospectus.

Upon the occurrence of a fundamental change, holders may require us to repurchase some or all of their notes for cash at a price equal to 100% of the principal amount of the notes being repurchased, plus accrued and unpaid interest, if any. In addition, if certain events constituting a fundamental change occur, we may be required in certain circumstances to increase the conversion rate for any notes converted in connection with such fundamental change by a specified number of shares of our common stock.

The notes will be our general unsecured obligations and will rank subordinate in right of payment to all of our existing and future senior indebtedness and equal in right of payment with our existing and future subordinated debt. Our obligations under the notes will not be guaranteed by, and will be effectively subordinated in right of payment to, all existing and future obligations of, our subsidiaries.

The notes are a new issue of securities for which there currently is no market. Our common stock is listed on The NASDAQ Global Select Market under the symbol ADCT. The last reported sale price of our common stock on The NASDAQ Global Select Market on December 19, 2007 was $15.43 per share.

The underwriters have the option to purchase, within 30 days from the date of this prospectus, up to an additional $25,000,000 aggregate principal amount of the 2015 notes and an additional $25,000,000 aggregate principal amount of the 2017 notes solely to cover overallotments, if any, on the terms described herein.

Investing in the notes involves risks. See Risk Factors beginning on page 8.

	Per 2015 Note	Total	Per 2017 Note	Total
Public Offering Price(1)	100.000%	$ 200,000,000	100.000%	$ 200,000,000
Underwriting Discount	2.375%	$ 4,750,000	2.375%	$ 4,750,000
Proceeds (before expenses) to ADC	97.625%	$ 195,250,000	97.625%	$ 195,250,000

(1) Plus accrued interest, if any from December 26, 2007, if settlement occurs after that date.

Delivery of the notes in book-entry form will be made only through The Depository Trust Company (DTC) on or about December 26, 2007.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Joint Book-Running Managers

Credit Suisse **Morgan Stanley**

JPMorgan **Bear, Stearns & Co. Inc.**

The date of this prospectus is December 19, 2007.

In making your investment decision, you should rely only on the information contained in the prospectus, any free writing prospectus prepared by or on behalf of us and those documents incorporated by reference herein. Neither we nor the underwriters have authorized anyone to provide you with additional or different information. This prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this prospectus in any jurisdiction to or from any person to whom or from whom it is unlawful to make such offer or solicitation of an offer in such jurisdiction. The information in this prospectus and any document incorporated by reference may only be accurate on the date of such document.

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In this prospectus, unless expressly stated otherwise or unless the context otherwise requires, ADC Telecommunications, Inc., ADC, we, us and our refer to ADC Telecommunications, Inc. and its consolidated subsidiaries.

FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference in this prospectus contain forward-looking statements with respect to the financial condition, results of operations, plans, objectives, future performance and business of ADC Telecommunications, Inc. and its subsidiaries. Statements preceded by, followed by or that include words such as may, will, expect, anticipate, continue, estimate, project, believes or similar expressions are intended some of the forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are included, along with this statement, for purposes of complying with the safe harbor provisions of that Act. These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the factors described under the heading Risk Factors in this prospectus and in the filings with the SEC that we have incorporated by reference in this prospectus.

Since it is not possible to foresee all such factors, you should not consider these factors to be a complete list of all risks or uncertainties.

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SUMMARY

This summary contains a general overview of the information contained or incorporated by reference in this prospectus. This summary may not contain all of the information that is important to you, and it is qualified in its entirety by the more detailed information and historical consolidated financial statements, including the notes to those financial statements incorporated by reference in this prospectus. You should carefully consider the information contained in or incorporated by reference in this prospectus, including the information set forth under the heading Risk Factors beginning on page 8 of this prospectus.

ADC Telecommunications, Inc.

We are a leading global provider of broadband communications network infrastructure products and related services. Our products offer comprehensive solutions enabling the delivery of high-speed Internet, data, video and voice communications over wireline, wireless, cable, enterprise and broadcast networks. These products include fiber-optic, copper and coaxial based frames, cabinets, cables, connectors and cards, wireless capacity and coverage solutions, network access devices and other physical infrastructure components for communication networks.

Our products are used primarily in the last mile/kilometer of a communications network, which links Internet, data, video and voice traffic from the serving office of the communications service provider to the end-user of the communication services. These products include:

Connectivity products, which provide the physical interconnections between network components and network access points and connect wireline, wireless, cable, enterprise and broadcast communication networks over copper (twisted pair), co-axial, fiber-optic and wireless media.

Wireless products, which increase the capacity, coverage and service quality of wireless communication networks by improving signal quality.

Wireline products, which enable communication service providers to deliver high-capacity voice and data services over copper or optical systems.

We also provide professional services to our customers. These services help our customers plan, deploy and maintain Internet, data, video and voice communication networks. We also assist our customers in integrating broadband communications equipment used in wireline, wireless, cable and enterprise networks. By providing these services, we have additional opportunities to sell our hardware products to these customers.

Our customers consist primarily of long-distance and local communications service providers and private enterprises that operate their own communication networks. In addition, our customers include cable television operators, wireless service providers, new competitive telephone service providers, broadcasters, government agencies, system integrators and communications equipment manufacturers and distributors.

ADC was incorporated in Minnesota in 1953 as Magnetic Controls Company. We adopted our current name in 1985. Our World Headquarters are located at 13625 Technology Drive, Eden Prairie, Minnesota 55344 and our telephone number is (952) 938-8080.

Recent Developments

Recent Acquisition of LGC Wireless, Inc.

On December 3, 2007, we completed the acquisition of LGC Wireless, Inc. (LGC). LGC, which is headquartered in San Jose, California, is a provider of in-building wireless solution products. These products increase the quality and capacity of wireless communications networks by permitting voice and data signals to penetrate building structures and by distributing these signals evenly throughout a building. LGC also offers products that permit voice and data signals to reach remote locations.

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We acquired all of the outstanding capital stock and warrants of LGC for approximately $135,000,000 in cash. We also made cash payments of approximately $9,000,000 to certain holders of options to acquire LGC common stock in consideration for the cancellation of these options. In addition, we granted options to acquire ADC common stock valued at approximately $4,000,000 to certain other LGC optionholders in exchange for their LGC options. As a result of the acquisition, we will be obligated to pay LGC transaction expenses and employee bonuses and repay certain debt, in an aggregate amount of approximately $20,000,000. In addition, we expect to incur charges for various other acquisition-related expenses in an amount that has not yet been determined.

Pending Acquisition of Shenzhen Century Man Communication Equipment Co., Ltd.

On November 12, 2007, we agreed to acquire Shenzhen Century Man Communication Equipment Co. and certain affiliated entities (Century Man) under the terms of a share purchase agreement. Century Man, which is headquartered in Shenzhen, China, is a provider of broadband connectivity equipment in China. Century Man s products include communication distribution frames and related accessories such as fiber connectors and cabinets.

Under the share purchase agreement, we would acquire all of the outstanding capital stock of Century Man for $55,000,000 in cash. In addition, we may be obligated to pay up to an additional $15,000,000 if Century Man achieves certain financial performance objectives during the 36 months following the closing of the acquisition. After completion of the transaction, we expect to incur charges for acquisition-related expenses in an amount that has not yet been determined.

The consummation of the acquisition of Century Man is subject to customary closing conditions. We expect to complete the transaction in January 2008.

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Selected Consolidated Financial Data

The selected consolidated statement of operations data for the fiscal years ended October 31, 2007, 2006 and 2005 and the selected consolidated balance sheet data as of October 31, 2007 and 2006 have been derived from the audited consolidated financial statements of ADC that are incorporated by reference herein, and are qualified by reference to such financial statements. The selected consolidated balance sheet data as of October 31, 2005 have been derived from the audited consolidated financial statements of ADC not incorporated by reference herein. Historical results are not necessarily indicative of future results. The following data includes the accounts of ADC and its consolidated subsidiaries and should be read in conjunction with the consolidated financial statements, related notes and other financial information incorporated by reference in this prospectus.

	For the Fiscal Years Ended October 31,		
	2007	2006	2005
	(In millions, except per share information)		
Consolidated Statement of Operations Data:			
Net Sales	$ 1,322.2	$ 1,281.7	$ 1,128.9
Cost of Sales	879.7	869.0	703.7
Gross Profit	442.5	412.7	425.2
Operating Expenses:			
Research and development	69.6	70.9	70.3
Selling and administration	291.1	273.7	259.6
Restructuring and impairment charges	13.9	20.8	10.1
Total operating expenses	374.6	365.4	340.0
Operating Income	67.9	47.3	85.2
Other Income, Net	48.7	10.3	20.8
Income Before Income Taxes	116.6	57.6	106.0
Provision (Benefit) for Income Taxes	3.3	(37.7)	7.2
Income from Continuing Operations	113.3	95.3	98.8
Discontinued Operations, Net of Tax	(7.0)	(30.2)	11.9
Cumulative Effect of a Change in Accounting Principle		0.6	
Net Income	$ 106.3	$ 65.7	$ 110.7
Weighted Average Common Shares Outstanding (Basic)	117.4	117.1	116.0
Weighted Average Common Shares Outstanding (Diluted)	131.9	117.4	131.1
Basic Income (Loss) Per Share:			
Continuing operations	$ 0.97	$ 0.81	$ 0.85
Discontinued operations	$ (0.06)	$ (0.26)	$ 0.10

Cumulative effect of a change in accounting principle	$		$	0.01	$	
Net income	$	0.91	$	0.56	$	0.95
Diluted Income (Loss) Per Share:						
Continuing operations	$	0.96	$	0.81	$	0.82
Discontinued operations	$	(0.05)	$	(0.26)	$	0.09
Cumulative effect of a change in accounting principle	$		$	0.01	$	
Net income	$	0.91	$	0.56	$	0.91

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	As of October 31, 2007 (In millions)	2006	2005
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 520.2	$ 142.2	$ 108.2
Available-for-sale securities	175.4	406.1	347.4
Total current assets	1,008.2	942.7	854.8
Total assets	1,764.8	1,611.4	1,537.2
Current and long-term debt	401.2	400.0	400.0
Total liabilities	757.2	737.9	763.3
Total shareowners investment	1,007.6	873.5	773.9
Total liabilities and shareowners investment	1,764.8	1,611.4	1,537.2

Ratio of Earnings to Fixed Charges

The following table sets forth our historical ratio of earnings to fixed charges or deficiency of earnings to fixed charges for each of our five most recent fiscal years, and our pro forma ratio of earnings to fixed charges for the fiscal year ended October 31, 2007. The pro forma ratio gives effect to the offering of the notes and the use of approximately $200 million of the net proceeds to repay our outstanding $200 million aggregate principal amount of convertible subordinated notes due 2008 as of October 31, 2007. The information set forth below should be read in conjunction with the financial information incorporated by reference herein.

	Fiscal Year Ended October 31, 2007 (In millions)	2006	2005	2004	2003	Pro Forma Ratio Fiscal Year Ended October 31, 2007(1)
Deficiency of Earnings to Fixed Charges					$ 74.1	
Ratio of Earnings to Fixed Charges	6.9	4.1	8.9	3.6		4.4

For purposes of computing the above ratios, earnings consist of income (loss) before income taxes, income (loss) from equity investees and fixed charges. Fixed charges consist of interest expense, amortization of premiums, discounts and capitalized expenses related to indebtedness and interest within rental expense.

(1) For purposes of computing the pro forma ratio for the fiscal year ended October 31, 2007, income (loss) before income taxes was reduced and fixed charges were increased to give effect to the offering of the notes (assuming no exercise of the underwriters over-allotment option) and the use of $200 million of the net proceeds as described above.

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The Offering

Issuer	ADC Telecommunications, Inc.
Notes Offered	\$200,000,000 aggregate principal amount (or \$225,000,000 aggregate principal amount if the underwriters exercise in full their option to purchase additional notes solely to cover over-allotments, if any) of 3.50% Convertible Subordinated Notes due 2015 and \$200,000,000 aggregate principal amount (or \$225,000,000 aggregate principal amount if the underwriters exercise in full their option to purchase additional notes solely to cover over-allotments, if any) of 3.50% Convertible Subordinated Notes due 2017.
Maturity Date	July 15, 2015 for the 2015 notes and July 15, 2017 for the 2017 notes.
Interest Payment Dates	January 15 and July 15 of each year, beginning on July 15, 2008.
Interest	3.50% per annum for the 2015 notes and 3.50% per annum for the 2017 notes, payable semiannually, in arrears. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.
Ranking	The notes will be our general unsecured obligations and will: rank junior in right of payment to all of our existing and future senior indebtedness; rank equal in right of payment with all of our existing and future subordinated indebtedness, including our 1% Convertible Subordinated Notes due 2008 (the 2008 convertible notes) and our Floating Rate Convertible Subordinated Notes due 2013 (the 2013 convertible notes); rank junior in right of payment to any of our secured obligations to the extent of the collateral securing such obligations; and be effectively subordinated in right of payment to all existing and future liabilities of our subsidiaries. As of October 31, 2007 we had no senior indebtedness outstanding, \$400.7 million of subordinated indebtedness outstanding and no secured indebtedness outstanding, and our subsidiaries had outstanding total liabilities, excluding intercompany liabilities but including trade payables, of approximately \$204.9 million. The indentures governing the notes do not limit our ability or the ability of our subsidiaries to incur debt, including senior indebtedness.
Conversion	Holders may convert their notes at their option on any day to and including the business day immediately preceding the maturity date into shares of our common stock equal to the conversion rate, subject to adjustment in certain circumstances.

	Except as described in Description of the Notes Conversion of Notes, upon any conversion, holders will not receive any separate cash payment representing accrued and unpaid interest or additional interest.
Conversion Rate	If the applicable stock price is less than or equal to the base conversion price, the conversion rate will be the base conversion rate.

	If the applicable stock price is greater than the base conversion price, the conversion rate will be determined in accordance with the following formula:

$$\textit{base conversion rate} + \left[\left[\frac{\textit{applicable stock price} - \textit{base conversion price}}{\textit{applicable stock price}}\right] \times \textit{incremental share factor}\right]$$

	The conversion rate, including any additional shares added to the conversion rate in connection with a makewhole fundamental change, will not exceed 64.8088 shares per $1,000 principal amount of the 2015 notes (which is equal to a conversion price of $15.43 per share) and 64.8088 shares per $1,000 principal amount of the 2017 notes (which is equal to a conversion price of $15.43 per share); however, such maximum conversion rate will be appropriately adjusted for base conversion rate adjustments (and adjustments to the incremental share factor) described in Description of the Notes Conversion of Notes Conversion Rate Adjustments Adjustment Events.
	The base conversion rate is 37.0336 shares per $1,000 principal amount of the 2015 notes and 35.0318 shares per $1,000 principal amount of the 2017 notes, in each case subject to adjustment as described under Description of the Notes Conversion of Notes Conversion Rate Adjustments Adjustment Events. The base conversion price is a dollar amount (initially $27.00 for the 2015 notes and $28.55 for the 2017 notes), in each case derived by dividing $1,000 by the base conversion rate. The incremental share factor is 27.7752 for the 2015 notes and 29.7770 for the 2017 notes, in each case subject to the same proportional adjustments as the base conversion rate. The applicable stock price is equal to the average of the closing prices of our common stock over the five-trading day period starting on the third trading day following the conversion date of the notes, subject to certain exceptions described in Description of Notes Conversion of Notes Conversion Rate.
	In addition, if a fundamental change occurs, we may be required in certain circumstances to increase the conversion rate.
Purchase at Holder s Option upon a Fundamental Change	A holder may require us to repurchase some or all of its notes for cash upon the occurrence of a fundamental change at a price equal to 100% of the principal amount of the notes being repurchased, plus accrued and unpaid interest, if any, in each case to, but not including, the repurchase date. See Description of the Notes Repurchase of Notes at the Option of Holders upon a Fundamental Change.
Conversion Rate Adjustment upon a Fundamental Change	If certain events constituting a fundamental change occur, we may be required in certain circumstances to increase the conversion rate for any notes converted in connection with such fundamental change by a

specified number of shares of our common stock. A description of how the conversion rate will be increased and a table showing the conversion rate that would apply at various stock prices and fundamental change adjustment dates are set forth under

	Description of the Notes Conversion of Notes Increase of Conversion Rate upon Certain Fundamental Changes.
Optional Redemption	The notes may not be redeemed at our option prior to maturity.
Sinking Fund	None.
Use of Proceeds	We estimate that the net proceeds from the sale of the notes, after deducting estimated underwriting discounts and expenses, will be approximately $390 million (or approximately $439 million assuming exercise of the underwriters over-allotment option in full). We intend to use approximately $200 million of the net proceeds of this offering to repurchase prior to maturity or repay at maturity the outstanding $200 million aggregate principal amount of our 2008 convertible notes, which mature on June 15, 2008. Any net proceeds from this offering that are not used to repurchase or repay the 2008 convertible notes are expected to be used for general corporate purposes and strategic opportunities, including possible future acquisitions or investments in complementary businesses, technologies or products. We may also use a portion of these remaining net proceeds to repurchase prior to maturity or redeem, on or after June 23, 2008, all or a portion of the outstanding $200 million aggregate principal amount of our 2013 convertible notes. See Use of Proceeds.
Trustee and Paying Agent	U.S. Bank National Association.
DTC Eligibility	The notes will be issued in book-entry form and will be represented by permanent global certificates deposited with, or on behalf of, DTC and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee, and any such interest may not be exchanged for certificated securities, except in limited circumstances. See Description of the Notes Book-Entry Delivery and Form.
Listing and Trading	The notes will not be listed on any securities exchange. Our common stock is listed on The NASDAQ Global Select Market under the symbol ADCT.
Governing Law	The indentures and the notes provide that they will be governed by, and construed in accordance with, the laws of the State of New York.
Risk Factors	An investment in the notes involves risks. You should carefully consider the information set forth in the section of this prospectus entitled Risk Factors, as well as other information included in or incorporated by reference into this prospectus before deciding whether to invest in the notes.

RISK FACTORS

An investment in the notes involves risks. Before deciding whether to purchase the notes, you should consider the risks discussed below or elsewhere in this prospectus, including those set forth under the heading Forward-Looking Statements, and in our filings with the Securities and Exchange Commission (SEC) that we have incorporated by reference in this prospectus. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

Any of the risks discussed below or elsewhere in this prospectus or in our SEC filings, and other risks we have not anticipated or discussed, could have a material impact on our business, financial condition or results of operations. In that case, our ability to pay interest on the notes when due, to repay the notes at maturity or to pay amounts due upon repurchase of the notes could be adversely affected, and the trading price of the notes and our common stock could decline substantially.

Risks Related to Our Business

Our industry is highly competitive, and our product and services sales are subject to significant downward pricing pressure.

Competition in the broadband network infrastructure equipment and services industry is intense. Overall spending for communications infrastructure products has not increased significantly in recent years, and spending levels are expected to remain relatively flat in the future. Spending on infrastructure equipment for next-generation networks such as FTTX products and wireless coverage and capacity solutions, however, is expected to increase. Our continued ability to compete with other manufacturers of communications equipment depends in part on whether we can continue to develop and effectively market next-generation network infrastructure products.

We believe our ability to compete with other manufacturers of communications equipment products and providers of related services depends primarily on our engineering, manufacturing and marketing skills; the price, quality and reliability of our products; our delivery and service capabilities; and our control of operating expenses. We have experienced and anticipate greater pricing pressures from our customers as well as our competitors.

Our industry is currently characterized by many vendors pursuing relatively few large customers. As a result, our customers have the ability to exert significant pressure on us with respect to product pricing and other contractual terms. In recent years, a number of our large customers have engaged in business combination transactions (including the merger of SBC Communications and AT&T completed in November 2005 and the merger of AT&T and BellSouth completed in December 2006). Accordingly, we have fewer large-scale customers, and these customers have even greater scale and buying power.

Many of our competitors have more extensive engineering, manufacturing, marketing, financial and personnel resources than us. As a result, our competitors may be able to respond more quickly to new or emerging technologies or changes in the requirements of communications services providers, or offer more aggressive pricing.

Shifts in our product mix may result in declines in our gross margin.

Gross margins vary among our product groups and fluctuate from quarter to quarter as a result of shifts in product mix (*i.e.*, the amount of each type of product we sell in a particular quarter), the introduction of new products, decreases in average selling prices as products mature and we face competitive pricing pressure, and our ability to reduce manufacturing and other costs. We expect this fluctuation in gross profit to continue in the future. Also, new offerings such as our fiber-based products used in networks located close to the end-user (which we refer to as our fiber-to-X or FTTX products) typically have lower gross margins than our legacy products. As these new products increasingly account for a larger percentage of our sales, our gross margins are likely to be impacted negatively.

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We are becoming increasingly dependent on significant specific network expansion projects undertaken by our customers.

Our business is increasingly focused on the sale of products, including our FTTX products, to support customer initiatives to expand broadband capabilities in their networks. These products have been increasingly deployed by our customers outside their central offices in connection with specific capital projects to increase network capabilities.

Because of these project-specific product purchases by our customers, the short-term demand for our products can fluctuate significantly, and our ability to forecast sales from quarter to quarter has diminished substantially. This fluctuation can be further affected by the long sales cycles necessary to obtain contracts to supply equipment for these projects. These long sales cycles may result in significant effort expended with no resulting sales or sales that are not made in the anticipated quarter.

In addition, competition among suppliers with respect to these capital projects can be intense, particularly because these projects often utilize new products that were not previously used in customers networks. We cannot give any assurance that these capital projects will continue or that our products will be selected for these equipment deployments.

Our cost-reduction initiatives may not result in anticipated savings or more efficient operations.

Over the past several years, we have implemented, and are continuing to implement, significant cost-reduction measures. These measures have been taken in an effort to improve our levels of profitability. We have incurred significant restructuring and impairment charges in connection with these cost-reduction efforts. If these measures are not fully completed or are not completed in a timely fashion, we may not realize their full potential benefit.

In addition, the efforts to cut costs may not generate the savings and improvements in our operating margins and profitability we anticipate. Such efforts may also be disruptive to our operations. For example, cost savings measures may yield unanticipated consequences, such as attrition beyond any planned reductions in force or increased difficulties in our day-to-day operations, and adversely affect employee morale. Although we believe it is necessary to reduce the cost of our operations to improve our performance, these initiatives may also preclude us from making potentially significant expenditures that could improve our product offerings, competitiveness or long-term prospects.

Consolidation among our customers has resulted in our loss of customers and reduced revenue during the pendency of business combinations and related integration activities.

We believe consolidation among our customers in the future will continue to permit them to increase market share and achieve greater economies of scale. Consolidation has impacted our business as our customers focus on completing business combinations and integrating their operations. In certain instances, customers integrating large-scale acquisitions have reduced their purchases of network equipment during the integration period. For example, following the merger of SBC Communications with AT&T and the merger of AT&T with BellSouth, the combined companies initially deferred spending on certain network equipment purchases, which resulted in lower product sales by ADC to these companies.

The impact of significant mergers of our customers on our business is likely to be unclear until sometime after such transactions are completed. After a consolidation occurs, a customer may choose to reduce the number of vendors from which it purchases equipment and may choose one of our competitors as its preferred vendor. There can be no assurance that we will continue to supply equipment to the surviving communications service provider after a business combination is completed.

Our sales could be impacted negatively if one or more of our key customers substantially reduces orders for our products.

Our customer base is relatively concentrated, with our top ten customers accounting for 45.5%, 44.0% and 38.5% of net sales for fiscal 2007, 2006 and 2005, respectively. In addition, our largest customer, Verizon, accounted for 17.8%, 16.0% and 12.3% of our net sales in fiscal 2007, 2006 and 2005, respectively. The merger of AT&T and BellSouth created another large customer for us. In fiscal 2007, the combined company accounted for approximately 15.4% of our net sales.

If we lose a significant customer for any reason, including consolidation among our major customers, our sales and gross profit will be impacted negatively. Also, in the case of products for which we believe potential revenue growth is the greatest, our sales remain highly concentrated with major communications service providers. For example, we rely on Verizon for a large percentage of our sales of FTTX products. The loss of sales due to a decrease in orders from a key customer could require us to exit a particular business or product line or record impairment or restructuring charges.

Our Professional Services business is exposed to risks associated with a highly concentrated customer base.

Most of our Professional Services are provided to customers in the United States. As a result of the merger of SBC Communications with AT&T and the merger of AT&T and BellSouth, our Professional Services business in the United States is heavily dependent upon sales to the combined company resulting from these mergers. To date, the combined company has deferred the deployment of certain new communications networks. If, over the long term, AT&T continues to delay or reduces the services we provide to it, we may not be successful in finding new customers to replace the lost sales for a period of time. Therefore, sales by our Professional Services business could decline substantially and have an adverse effect on our business and operating results.

Our market is subject to rapid technological change, and, to compete effectively, we must continually introduce new products that achieve market acceptance.

The communications equipment industry is characterized by rapid technological changes, evolving industry standards, changing market conditions and frequent new product and service introductions and enhancements. The introduction of products using new technologies or the adoption of new industry standards can make our existing products, or products under development, obsolete or unmarketable. For example, FTTX product sales initiatives may impact sales of our non-fiber products negatively. In order to remain competitive and increase sales, we will need to adapt to these rapidly changing technologies, enhance our existing products and introduce new products to address the changing demands of our customers.

We may not predict technological trends or the success of new products in the communications equipment market accurately. New product development often requires long-term forecasting of market trends, development and implementation of new technologies and processes and substantial capital commitments. For example, during fiscal 2006 and fiscal 2007, we invested significant resources in the development and marketing of a new line of automated copper cross-connect products. During the third quarter of fiscal 2007, following a review of the market potential of these products, we curtailed all development and marketing activities relating to this product line. This resulted in inventory and fixed asset write-offs. We do not know whether other new products and services we develop will gain market acceptance or result in profitable sales.

Many of our competitors have greater engineering and product development resources than we do. Although we expect to continue to invest substantial resources in product development activities, our efforts to achieve and maintain profitability will require us to be selective and focused with our research and development expenditures. If we fail to anticipate or respond in a cost-effective and timely manner to technological developments, changes in industry standards or customer requirements, or if we experience any significant delays in product development or introduction, our business, operating results and financial condition could be affected adversely.

We may not successfully close strategic acquisitions, and, if these acquisitions are completed, we may have difficulty integrating the acquired businesses with our existing operations.

We recently acquired LGC and expect to complete our acquisition of Century Man in January 2008. In the future, we intend to acquire other companies and/or product lines that we believe are aligned with our

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current strategic focus. We cannot provide assurances that we will be able to find appropriate candidates for acquisitions, reach agreement to acquire them, have the cash or other resources necessary to acquire them or close strategic acquisitions because of the ability to obtain requisite shareholder or regulatory approvals or otherwise. The significant effort and management attention invested in a strategic acquisition may not result in a completed transaction.

The impact of future acquisitions on our business, operating results and financial condition are not known at this time. In the case of LGC, Century Man and other businesses we may acquire in the future, we may have difficulty assimilating these businesses and their products, services, technologies and personnel into our operations. These difficulties could disrupt our ongoing business, distract our management and workforce, increase our expenses and materially adversely affect our operating results and financial condition. Also, we may not be able to retain key management and other critical employees after an acquisition. We may also acquire unanticipated liabilities. In addition to these risks, we may not realize all of the anticipated benefits of these acquisitions.

If we seek to secure financing, we may not be able to obtain it on acceptable terms.

Based on current business operations and economic conditions and anticipated cash flows from operations, we currently anticipate that our available cash resources (which include existing cash, cash equivalents and available-for-sale securities), together with the proceeds of this offering, will be sufficient to meet our anticipated needs for working capital and capital expenditures to execute our near-term business plan and repay our currently outstanding convertible notes upon maturity. If our estimates are incorrect and we are unable to generate sufficient cash flows from operations, we may need to raise additional funds. In addition, if the cost of one or more of our strategic acquisition opportunities exceeds our existing resources, we may be required to seek additional capital.

We currently do not have any significant available lines of credit or other significant credit facilities. We currently are negotiating the terms of a potential credit facility in an amount which has not yet been determined, but there can be no assurance that we can obtain this loan financing on acceptable terms. If we raise additional funds by obtaining a credit facility or by issuing debt, we may be subject to restrictive covenants that could limit our operating flexibility and interest payments could dilute earnings per share.

We recorded a significant impairment charge during the quarter ended October 31, 2007 to reduce the carrying value of certain auction rate securities we hold, and we currently expect to incur additional impairment charges with respect to auction rate securities in fiscal year 2008.

Credit concerns in the capital markets have significantly reduced our ability to liquidate auction rate securities that we classify as available-for-sale securities on our balance sheet. As of October 31, 2007, we held auction rate securities with a par value of $193.0 million. These securities represent interests in collateralized debt obligations, a portion of which are collateralized by pools of residential and commercial mortgages, interest-bearing corporate debt obligations, and dividend-yielding preferred stock. Some of the underlying collateral for the auction rate securities we hold consists of sub-prime mortgages. In the fourth quarter of fiscal 2007, we recorded an other-than-temporary impairment charge of $29.4 million to reduce the value of our auction rate securities to their estimated fair value of $163.6 million as of October 31, 2007.

In November 2007, we sold at par $23.2 million of the auction-rate securities we held at October 31, 2007. Subsequently, we received account statements as of November 30, 2007 indicating that the fair value of our auction rate securities had declined approximately another $20.0 million since October 31, 2007. The estimated fair value of these securities could decrease or increase significantly in the future based on market conditions.

The current par value of our auction-rate securities portfolio is $169.8 million. After adjustment for the $29.4 million impairment charge recorded as of October 31, 2007 and the estimated further approximately $20.0 million decline in the fair value of these securities since October 31, 2007, our auction rate securities have an estimated fair value of approximately $121.0 million as of November 30, 2007. As a result, we expect to record an additional impairment charge during the quarter ending January 31, 2008, the amount of which

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will depend on the estimated fair value of our auction rate securities as of January 31, 2008. In future periods, the estimated fair value of our auction rate securities could decline further based on market conditions, which could result in additional impairment charges. These charges could be substantial.

Possible consolidation among our competitors could result in a loss of sales.

Recently, a number of our competitors have engaged in business combination transactions, and we expect to see continued consolidation among communication equipment vendors. These business combinations may result in our competitors becoming financially stronger and obtaining broader product portfolios than us. As a result, consolidation could increase the resources of our competitors and negatively impact our product sales and our profitability.

Our operating results fluctuate significantly from quarter to quarter.

Our operating results are difficult to predict and may fluctuate significantly from quarter to quarter. Fluctuations in our quarterly operating results may be caused by many factors, including the following:

- the volume and timing of orders from and shipments to our customers;
- the overall level of capital expenditures by our customers;
- work stoppages and other developments affecting the operations of our customers;
- the timing of and our ability to obtain new customer contracts and the timing of revenue recognition;
- the timing of new product and service announcements;
- the availability of products and services;
- market acceptance of new and enhanced versions of our products and services;
- variations in the mix of products and services we sell;
- the location and utilization of our production capacity and employees; and
- the availability and cost of key components of our products.

Our expense levels are based in part on expectations of future revenues. If revenue levels in a particular quarter are lower than expected, our operating results will be affected adversely.

In the future, we expect sales in our second and third fiscal quarters to be higher than sales in our other two fiscal quarters. First quarter results are usually adversely affected by the holiday season that extends from Thanksgiving through New Years Day and the preparation of annual capital spending budgets by many of our customers during the first fiscal quarter. In the first quarter of fiscal 2008, we anticipate that sales will be lower than sales in the fourth quarter of fiscal 2007. In addition, we expect fiscal 2008 fourth quarter sales to be lower than third quarter sales because capital spending by our customers usually declines in the fourth quarter of the calendar year. As a result of our proposed acquisition of Century Man, in the future, our first and/or second fiscal quarter results may be adversely affected by lower sales in China due to the Lunar New Year holiday.

The regulatory environment in which we and our customers operate is changing.

Although our business is not subject to significant direct governmental regulation, the communications services provider industry in which our customers operate is subject to significant and changing federal and state regulation in the United States and regulation in other countries.

The U.S. Telecommunications Act of 1996 (the Telecommunications Act) lifted certain restrictions on the ability of communications services providers and other ADC customers to compete with one another. The Telecommunications Act also made other significant changes in the regulation of the telecommunications industry. These changes generally increased our opportunities to provide communications network infrastructure products to providers of Internet, data, video and voice networks. However, some of the changes resulting from the Telecommunications Act have diminished the return on additional investments by our customers in their networks, which has reduced demand for some of our products.

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In a 2003 ruling, the Federal Communications Commission (FCC) terminated its line-sharing requirements, with the result that major telephone companies are no longer legally required to lease space to resellers of digital subscriber lines. The FCC ruling also allowed telephone companies to maintain sole ownership of newly-built networks that often use our FTTX products. While we believe that the ruling will generally have a positive effect on our business, there can be no assurance that the ruling will result in a long-term material increase in the sales of our products.

The regulatory environment for communication services providers is also changing in other countries. In many countries, regulators are considering whether service providers should be required to provide access to their networks by competitors. For example, this issue is currently being debated in Germany and Australia. As a result, our FTTX initiatives in these countries have been delayed.

Additional regulatory changes affecting the communications industry have occurred and are anticipated both in the United States and internationally. For example, a European Union directive relating to the restriction of hazardous substances (RoHS) in electrical and electronic equipment and a directive relating to waste electrical and electronic equipment (WEEE) have been and are being implemented in European Union member states. Among other things, the RoHS directive restricts the use of certain hazardous substances, including lead, in the manufacture of electrical and electronic equipment, and the WEEE directive requires producers of electrical goods to be responsible for the collection, recycling, treatment and disposal of these goods. Similar laws were passed in China in February 2006, as well as in South Korea in April 2007. The Chinese law became effective in March 2007. We understand governments in other countries are considering implementing similar laws or regulations. Our failure to comply with the RoHS and WEEE directives, or similar laws and regulations that have been or may be implemented in other countries, could result in reduced sales of our products, substantial product inventory write-offs, reputational damage, penalties and other sanctions.

New regulatory changes could alter demand for our products. In addition, recently announced or future regulatory changes could come under legal challenge and be altered, which could reverse the effect of such changes and their anticipated impact. Competition in our markets may intensify as the result of changes to existing or new regulations. Accordingly, changes in the regulatory environment could adversely affect our business and results of operations.

Conditions in global markets could affect our operations.

Our sales outside the United States accounted for approximately 39.2%, 41.4% and 43.3% of our net sales in fiscal 2007, 2006 and 2005, respectively. We expect sales outside the United States to remain a significant percentage of net sales in the future. In addition to sales and distribution activities in numerous countries, we conduct manufacturing or other operations in the following countries: Australia, Austria, Belgium, Brazil, Canada, Chile, China, Czech Republic, France, Germany, Hong Kong, Hungary, India, Indonesia, Israel, Italy, Japan, Malaysia, Mexico, New Zealand, Philippines, Puerto Rico, Russia, Singapore, South Africa, South Korea, Spain, Sweden, Thailand, the United Arab Emirates, the United Kingdom, the United States, Venezuela and Vietnam.

Due to our sales and other operations outside the United States, we are subject to the risks of conducting business globally. These risks include the following:

local economic and market conditions;

political and economic instability in countries with developing markets;

unexpected changes in or impositions of legislative or regulatory requirements;

compliance with the Foreign Corrupt Practices Act and various laws in the countries in which we are doing business;

fluctuations in foreign currency exchange rates;

requirements to consult with or obtain the approval of works councils or other labor organizations to complete business initiatives;

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tariffs and other barriers and restrictions;

longer payment cycles;

difficulties in enforcing intellectual property and contract rights;

greater difficulty in accounts receivable collection;

potentially adverse taxes and export and import requirements; and

the burdens of complying with a variety of non-U.S. laws and telecommunications standards.

Our business is also subject to general geopolitical and environmental risks, such as terrorism, political and economic instability, changes in the costs of key resources such as crude oil, changes in diplomatic or trade relationships, natural disasters and other possible disruptive events such as pandemic illnesses.

Economic conditions in many of the markets outside the United States in which we do business represent significant risks to us. Instability in our non-U.S. markets, such as the Middle East, Asia and Latin America, could have a negative impact on our sales and business operations in these markets, and we cannot predict whether these unstable conditions will have a material adverse effect on our business and results of operations. The wars in Afghanistan and Iraq and other turmoil in the Middle East and the global war on terror also may also have negative effects on our business operations. In addition to the effect of global economic instability on sales to customers outside the United States, sales to United States customers could be negatively impacted by these conditions.

We have agreed to acquire Century Man, and, if this acquisition is completed, we will be subject to special risks relating to doing business in China.

We have agreed to acquire Century Man, a provider of broadband connectivity equipment that conducts almost all of its business in China. After this acquisition is completed, our operations in China will be subject to significant political, economic and legal uncertainties. Changes in laws and regulations or their interpretation, or the imposition of confiscatory taxation, restrictions on currency conversion, imports and sources of supply, devaluations of currency or the nationalization or other expropriation of private enterprises could have a material adverse effect on the operations of Century Man. Under its current leadership, the Chinese government has been pursuing economic reform policies that encourage private economic activity and greater economic decentralization. However, there can be no assurance that the government will continue to pursue these policies, especially in the event of a change in leadership, social or political disruption or other circumstances affecting China s political and economic environment.

Although not permitted under Chinese law, corruption, extortion, bribery, payoffs and other fraudulent practices occur from time to time in China. We must comply with U.S. laws prohibiting corrupt business practices outside the United States. Foreign companies, including some of our competitors, are not subject to these laws. If our competitors in China engage in these practices, we may be at a competitive disadvantage. We maintain a business conduct program to prevent, deter and detect violations of law in the conduct of business throughout the world. We will conduct a review of Century Man s business practices and will train our personnel in China on appropriate ethical and legal business standards. However, a risk will remain that our employees will engage in activities that violate laws or our corporate policies. This is particularly true in instances in which the employees of a company we may acquire may not have been previously accustomed to operating under similar standards. In the event an employee violates applicable laws pertaining to sales practices, accounting standards, facility operations or other business or operational requirements, we may face substantial penalties, and our business in China could be affected adversely.

Our intellectual property rights may not be adequate to protect our business.

Our future success depends in part upon our proprietary technology. Although we attempt to protect our proprietary technology through patents, trademarks, copyrights and trade secrets, these protections are limited. Accordingly, we cannot predict whether these protections will be adequate, or whether our competitors will develop similar technology independently, without violating our proprietary rights. Rights that may be granted

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under any patent application in the future may not provide competitive advantages to us. Intellectual property protection in foreign jurisdictions may be limited or unavailable.

Many of our competitors have substantially larger portfolios of patents and other intellectual property rights than we do. As competition in the communications network equipment industry has intensified and the functionality of products has continued to overlap, we believe that network equipment manufacturers are increasingly becoming subject to infringement claims. We have received, and expect to continue to receive, notices from third parties (including some of our competitors) claiming that we are infringing their patents or other proprietary rights. We also have asserted patent claims against certain third parties.

We cannot predict whether we will prevail in any patent litigation brought against us by third-parties, or that we will be able to license any valid and infringed patents on commercially reasonable terms. Unfavorable resolution of such litigation could have a material adverse effect on our business, results of operations or financial condition. In addition, any of these claims, whether with or without merit, could result in costly litigation, divert our management s time and attention, delay our product shipments or require us to enter into expensive royalty or licensing agreements.

A third party may not be willing to enter into a royalty or licensing agreement on acceptable terms, if at all. If a claim of product infringement against us is successful and we fail to obtain a license or develop or license non-infringing technology, our business, operating results and financial condition could be adversely affected.

We are dependent upon our senior management and other critical personnel.

Like all communications technology companies, our success is dependent on the efforts and abilities of our senior management personnel and other critical employees, including those in customer service and product development functions. Our ability to attract, retain and motivate these employees is critical to our success. In addition, because we may acquire one or more businesses in the future, our success will depend, in part, upon our ability to retain and integrate our own personnel with personnel from acquired entities who are necessary to the continued success or the successful integration of the acquired businesses.

Our continuing initiatives to streamline operations as well as the challenging business environment in which we operate may cause uncertainty in our employee base about whether they will have future employment with us. This uncertainty may have an adverse effect on our ability to retain and attract key personnel.

Compliance with internal control requirements is expensive and poses certain risks.

We expect to incur significant continuing costs, including accounting fees and staffing costs, in order to maintain compliance with the internal control requirements of the Sarbanes-Oxley Act of 2002. In addition, if we complete acquisitions in the future, our ability to integrate operations of the acquired company could impact our compliance with Section 404 of that legislation.

Following the fiscal quarter ended February 2, 2007, we identified a material weakness in our internal control over financial reporting related to the timing of the recording of certain impairment charges incurred in connection with the classification of one of our business units as a discontinued operation. As a result of the need to record these impairment charges during the fourth quarter of the fiscal year ended October 31, 2006, we were required to restate our financial statements for that fiscal year.

In the future, if we fail to complete the annual Section 404 evaluation in a timely manner, or if our independent registered public accounting firm cannot attest in a timely manner to the effectiveness of our internal controls, we could be subject to regulatory scrutiny and a loss of public confidence in our internal controls. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations.

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Product defects or the failure of our products to meet specifications could cause us to lose customers and revenue or to incur unexpected expenses.

If our products do not meet our customers performance requirements, our customer relationships may suffer. Also, our products may contain defects or fail to meet product specifications. Any failure or poor performance of our products could result in:

- delayed market acceptance of our products;
- delayed product shipments;
- unexpected expenses and diversion of resources to replace defective products or identify and correct the source of errors;
- damage to our reputation and our customer relationships;
- delayed recognition of sales or reduced sales; and
- product liability claims or other claims for damages that may be caused by any product defects or performance failures.

Our products are often critical to the performance of communications systems. Many of our supply agreements contain limited warranty provisions. If these contractual limitations are unenforceable in a particular jurisdiction or if we are exposed to product liability claims that are not covered by insurance, a claim could harm our business.

We may encounter difficulties obtaining raw materials and supplies needed to make our products, and the prices of these materials and supplies are subject to fluctuation.

Our ability to manufacture our products is dependent upon the availability of certain raw materials and supplies. The availability of these raw materials and supplies is subject to market forces beyond our control. From time to time, there may not be sufficient quantities of raw materials and supplies in the marketplace to meet customer demand for our products. In addition, the costs to obtain these raw materials and supplies are subject to price fluctuations because of global market demands. Some raw materials or supplies may be subject to regulatory actions, which may affect available supplies.

Many companies utilize the same raw materials and supplies in the production of their products as we use in our products. Companies with more resources than us may have a competitive advantage in obtaining raw materials and supplies due to greater purchasing power. Reduced supply and higher prices of raw materials and supplies may adversely affect our business, operating results and financial condition.

We may encounter litigation that has a material impact on our business.

We are a party to various lawsuits, proceedings and claims arising in the ordinary course of business or otherwise. Many of these disputes may be resolved without resort to formal litigation. The amount of monetary liability resulting from the ultimate resolution of these matters cannot be determined at this time.

As of October 31, 2007, we had recorded approximately $7.6 million in loss reserves for certain of these matters. In light of the reserves we have recorded, at this time we believe the ultimate resolution of these lawsuits, proceedings and claims will not have a material adverse impact on our business, results of operations or financial condition.

Because of the uncertainty inherent in litigation, it is possible that unfavorable resolutions of these lawsuits, proceedings and claims could exceed the amount currently reserved and could have a material adverse effect on our business, results of operations or financial condition.

We are subject to risks associated with changes in commodity prices, interest rates, security prices, and foreign currency exchange rates.

We face market risks from changes in certain commodity prices, security prices and interest rates. Market fluctuations could affect our results of operations and financial condition adversely. We may reduce this risk through the use of derivative financial instruments, although we have not used such instruments for several years.

We are also exposed to market risk from changes in foreign currency exchange rates. Our primary risk is the effect of foreign currency exchange rate fluctuations on the U.S. dollar value of foreign currency denominated operating sales and expenses. Our largest exposure comes from fluctuations in the exchange rate for Mexican pesos.

We also are exposed to foreign currency exchange risk as a result of changes in intercompany balance sheet accounts and other balance sheet items. At October 31, 2007, these balance sheet exposures were mitigated through the use of foreign exchange forward contracts with maturities of less than 12 months. The primary currency exposures being mitigated were the Australian dollar and the euro.

Risks Related to the Notes, Our Common Stock and this Offering

We may incur substantially more debt or take other actions which may affect our ability to satisfy our obligations under the notes.

We will not be restricted under the terms of the notes or the indentures from incurring substantial additional indebtedness in the future, including senior indebtedness, secured indebtedness or other subordinated indebtedness or indebtedness at the subsidiary level, to which the notes would be structurally subordinated. We are currently negotiating the terms of a potential credit facility in an amount which has not yet been determined, but which, if finalized and funded, would rank senior to the notes. In addition, the limited covenants applicable to the notes do not require us to achieve or maintain any minimum financial results relating to our financial position or results of operations. The indentures will not contain any restrictive covenants limiting our ability to pay dividends, make any payments on junior or other indebtedness or otherwise limit our financial condition. Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the notes could have the effect of diminishing our ability to make payments on the notes when due, and require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, which would reduce the availability of cash flow to fund our operations, working capital and capital expenditures. In addition, we are not restricted from repurchasing common stock by the terms of the notes.

Your right to receive payments on the notes is effectively subordinated to all existing and future liabilities of our subsidiaries and to all of our existing and future senior indebtedness.

Most of our operations are conducted through, and most of our assets are held by, our subsidiaries. Therefore, we are dependent on the cash flow of our subsidiaries to meet our debt obligations. Our subsidiaries are separate and distinct legal entities and none of our subsidiaries will guarantee our obligations under, or have any obligation to pay any amounts due on, the notes. As a result, the notes will be effectively subordinated to all liabilities of our subsidiaries, including trade payables. Our rights and the rights of our creditors, including holders of the notes, to participate in the assets of any of our subsidiaries upon their liquidation or recapitalization will generally be subject to the existing and future claims of those subsidiaries creditors. In addition, our subsidiaries are not prohibited from incurring additional debt or other liabilities, including senior indebtedness. If our subsidiaries were to incur additional debt or liabilities, our ability to pay our obligations on the notes, including cash payments upon conversion or repurchase, could be adversely affected. At October 31, 2007, our subsidiaries had $0.5 million of indebtedness outstanding and approximately $204.9 million of other liabilities outstanding (excluding intercompany liabilities).

In addition, the notes will not be secured by any of our assets or those of our subsidiaries. As a result, the notes will be effectively subordinated to any secured debt we may incur to the extent of the collateral securing such debt. In any liquidation, dissolution, bankruptcy or other similar proceeding, holders of our secured debt may assert rights against any assets securing such debt in order to receive full payment of their debt before those assets may be used to pay the holders of the notes. In such an event, we may not have sufficient assets remaining to pay amounts due on any or all of the notes.

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The notes will be unsecured obligations of ADC and will be subordinated in right of payment to all of our existing and future senior indebtedness. In the event of our bankruptcy, liquidation or reorganization, or upon acceleration of the notes due to an event of default under the indentures and in certain other events, our assets will be available to pay obligations on the notes only after all senior indebtedness has been paid in full. As a result, there may not be sufficient assets remaining to pay amounts due on any or all of the outstanding notes. In addition, no payment in respect of the notes will be permitted during certain periods when events of default exist under our designated senior indebtedness. As of October 31, 2007, we had no senior indebtedness outstanding.

We may not have the ability to repurchase the notes in cash upon the occurrence of a fundamental change as required by the indentures governing the notes.

Holders of the notes will have the right to require us to repurchase the notes upon the occurrence of a fundamental change as described under Description of the Notes. We may not have sufficient funds to repurchase the notes in cash or to make the required repayment at such time or have the ability to arrange necessary financing on acceptable terms. A fundamental change may also constitute an event of default under, or result in the acceleration of the maturity of, our then-existing indebtedness. Our ability to repurchase the notes in cash may be limited by law or the terms of other agreements relating to our indebtedness outstanding at the time. Our failure to repurchase the notes when required would result in an event of default with respect to the notes. Our inability to pay for your notes that are tendered for repurchase could result in your receiving substantially less than the principal amount of the notes.

Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to repurchase the notes.

Upon the occurrence of a fundamental change, you will have the right to require us to repurchase the notes. However, the fundamental change provisions will not afford protection to holders of notes in the event of certain transactions. For example, any leveraged recapitalization, refinancing, restructuring, or acquisition initiated by us will generally not constitute a fundamental change requiring us to repurchase the notes. In the event of any such transaction, holders of the notes will not have the right to require us to repurchase the notes, even though any of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of notes.

The conversion rate of the notes may not be adjusted for all dilutive events.

The conversion rate of the notes will be subject to adjustment for certain events, including, but not limited to, the issuance of stock dividends on our common stock, the issuance of certain rights or warrants, subdivisions, combinations, distributions of capital stock (including the stock of a subsidiary), indebtedness or assets, cash dividends and certain issuer tender or exchange offers as described under Description of the Notes Conversion of Notes Conversion Rate Adjustments. However, the conversion rate will not be adjusted for other events, such as a third party tender or exchange offer or an issuance of our common stock for cash, that may adversely affect the trading price of the notes or the common stock. An event that adversely affects the value of the notes may occur, and that event may not result in an adjustment to the conversion rate.

The adjustment to the conversion rate for notes converted in connection with certain fundamental changes may not adequately compensate you for any lost value of your notes as a result of such transaction.

If certain events constituting a fundamental change occur, under certain circumstances we will increase the conversion rate by a number of additional shares of our common stock for notes converted in connection with such fundamental change. The adjustment to the conversion rate for notes converted in connection with such fundamental change may not adequately compensate you for any lost value of your notes as a result of such transaction. In addition, if the price of our common stock in the transaction is greater than $175.00 per share or less than $15.43 per share in the case of the 2015 notes or greater than $175.00 per share or less than $15.43 per share in the case of the 2017 notes (in each case, subject to adjustment), no adjustment will be made to the conversion rate. In no event will the total number of shares of common stock added to the conversion rate as a result of such fundamental change exceed 27.7752 per $1,000 principal amount of the 2015 notes or 29.7770 per $1,000 principal amount of the 2017 notes, in each case, subject to adjustments in the same manner as the conversion rate as set forth under Description of the Notes Conversion of Notes Conversion Rate Adjustments.

Our obligation to increase the conversion rate in connection with any such fundamental change could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

The notes may not have an active market and their price may be volatile. You may be unable to sell your notes at the price you desire or at all.

There is no existing trading market for the notes. As a result, there can be no assurance that a liquid market will develop or be maintained for the notes, that you will be able to sell any of the notes at a particular time (if at all) or that the prices you receive if or when you sell the notes will be above their initial offering price. We do not intend to list the notes on any national securities exchange or for quotation of the notes on any automated dealer quotation system. The underwriters have advised us that they intend to make a market in the notes after this offering is completed, but they have no obligation to do so and may cease their market-making at any time without notice. In addition, market-making will be subject to the limits imposed by the Securities Exchange Act of 1934, as amended (the Exchange Act). The liquidity of the trading market in the notes, and the market price quoted for these notes, may be adversely affected by, among other things:

- changes in the overall market for debt securities;
- changes in our financial performance or prospects;
- the prospects for companies in our industry generally;
- the number of holders of the notes;
- the interest of securities dealers in making a market for the notes; and
- prevailing interest rates.

Historically, the market for convertible debt has been subject to disruptions that have caused volatility in prices. It is possible that the market for the notes will be subject to disruptions which may have a negative effect on you, regardless of our operating results, financial performance or prospects.

The notes may not be rated or may receive a lower rating than anticipated.

We do not intend to seek a rating on the notes. However, if one or more rating agencies rates the notes and assigns the notes a rating lower than the rating expected by investors, or reduces their rating in the future, the market price of the notes and our common stock could be harmed.

If you hold notes, you will not be entitled to any rights with respect to our common stock, but you will be subject to all changes made with respect to our common stock.

If you hold notes, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock, other than extraordinary dividends that our board of directors designates as payable to the holders of the notes), but if you subsequently convert your notes and receive common stock upon such conversion, you will be subject to all changes affecting the common stock. You will have rights with respect to our common stock only if and when we deliver shares of common stock to you upon conversion of your notes and, to a limited extent, under the conversion rate adjustments applicable to the notes. For example, in the event that an amendment is proposed to our articles of incorporation or bylaws requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to delivery of common stock to you, you will not be entitled to vote on the amendment, although you will

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nevertheless be subject to any changes in the powers or rights of our common stock that result from such amendment.

Our stock price has been volatile historically and may continue to be volatile. The price of our common stock, and therefore the price of the notes, may fluctuate significantly, which may make it difficult for holders to resell the notes or the shares of our common stock issuable upon conversion of the notes when desired or at attractive prices.

The trading price of our common stock has been and may continue to be subject to wide fluctuations. From January 1, 2006 through December 19, 2007, the last reported sale price of our common stock on The NASDAQ Global Select Market ranged from $11.98 to $27.15 per share, and the last reported sale price of our common stock on December 19, 2007 was $15.43 per share. Our stock price may fluctuate in response to a number of events and factors, such as quarterly variations in operating results, announcements of technological innovations or new products by us or our competitors, changes in financial estimates and recommendations by securities analysts, the operating and stock price performance of other companies that investors may deem comparable to us, and new reports relating to trends in our markets or general economic conditions.

In addition, the stock market in general, and prices for companies in our industry in particular, have experienced extreme volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our common stock, regardless of our operating performance. Because the notes are convertible into shares of our common stock, volatility or depressed prices of our common stock could have a similar effect on the trading price of our notes. Holders who receive common stock upon conversion also will be subject to the risk of volatility and depressed prices of our common stock. Also, the existence of the notes may encourage short selling in our common stock by market participants because the conversion of the notes could depress the price of our common stock. In addition, the issuance of the notes could have a dilutive effect on our earnings per share in the future.

In addition, components of the compensation of many of our key employees are dependent on the price of our common stock. Lack of positive performance in our stock price may adversely affect our ability to retain key employees.

Sales of a significant number of shares of our common stock in the public markets, or the perception of such sales, could depress the market price of the notes.

Sales of a substantial number of shares of our common stock or other equity-related securities in the public markets could depress the market price of the notes, our common stock, or both, and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of our common stock or other equity-related securities would have on the market price of our common stock or the value of the notes. The price of our common stock could be affected by possible sales of our common stock by investors who view the notes as a more attractive means of equity participation in our company and by hedging or arbitrage trading activity which we expect to occur involving our common stock. This hedging or arbitrage could, in turn, affect the market price of the notes.

Conversion of the notes will dilute the ownership interest of existing shareholders, including holders who have previously converted their notes.

The delivery of common stock upon conversion of the notes will dilute the ownership interests of existing shareholders. Any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the anticipated conversion of the notes into shares of our common stock could depress the price of our common stock.

The notes will initially be held in book-entry form and, therefore, you must rely on the procedures and the relevant clearing systems to exercise your rights and remedies.

Unless and until certificated notes are issued in exchange for book-entry interests in the notes, owners of the book-entry interests will not be considered owners or holders of notes. Instead, DTC, or its nominee, will be the sole holder of the notes. Payments of principal, interest and other amounts owing on or in respect of the notes in global form will be made to the paying agent, which will make payments to DTC. Thereafter, such payments will be credited to DTC participants accounts that hold book-entry interests in the notes in global form and credited by such participants to indirect participants. Unlike holders of the notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents or requests for waivers or other actions from holders of the notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from DTC or, if applicable, a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions on a timely basis.

You may be subject to tax upon an adjustment to the conversion rate of the notes even though you do not receive a corresponding cash distribution.

The conversion rate of the notes is subject to adjustment in certain circumstances, including the payment of certain cash dividends. If the conversion rate is adjusted as a result of a distribution that is taxable to our common shareholders, such as a cash dividend, you will be deemed to have received a dividend to the extent of our earnings and profits, which will be subject to U.S. federal income tax without the receipt of any cash. If you are a non-U.S. holder (as defined in Material U.S. Federal Tax Consequences), such deemed dividend generally would be subject to U.S. federal withholding tax (currently at a 30% rate, or such lower rate as may be specified by an applicable treaty), which may be set off against subsequent payments on the notes. See Dividend Policy and Material U.S. Federal Tax Consequences.

Further, if a fundamental change occurs on or prior to the maturity date of the notes, under some circumstances we will increase the conversion rate of notes converted in connection with the fundamental change. Such increase also may be treated as a distribution subject to U.S. federal income tax as a dividend. See Material U.S. Federal Tax Consequences.

We intend to take the position, although it is not free from doubt, that the determination of a conversion rate of the notes in excess of the base conversion rate, in accordance with the formula set forth under Description of the Notes Conversion of Notes Conversion Rate, does not result in a deemed stock distribution. However, in certain circumstances, including if we begin paying dividends, it is possible that, upon the determination of the conversion rate, the excess of the conversion rate over the base conversion rate may be treated as a distribution subject to U.S. federal income tax as a dividend, return of capital, or capital gain in accordance with the description under Material U.S. Federal Tax Consequences Consequences to U.S. Holders Distributions. In the case of a non-U.S. holder, any such excess that is treated as a dividend would be subject to U.S. federal withholding tax (currently at a 30% rate, or such lower rate as may be specified by an applicable treaty), which may be set off against payments of common stock on the note.

Anti-takeover provisions in our charter documents, our shareholder rights agreement and Minnesota law could prevent or delay a change in control of our company.

Provisions of our articles of incorporation and bylaws, our shareholder rights agreement (also known as a poison pill) and Minnesota law may discourage, delay or prevent a merger or acquisition that a shareholder may consider favorable, and may limit the price that investors may be willing to pay for our common stock. These provisions include the following:

- advance notice requirements for shareholder proposals;
- authorization for our board of directors to issue preferred stock without shareholder approval;

authorization for our board of directors to issue preferred stock purchase rights upon a third party s acquisition of 15% or more of our outstanding shares of common stock; and

limitations on business combinations with interested shareholders.

Some of these provisions may discourage a future acquisition of ADC even though our shareholders would receive an attractive value for their shares, or a significant number of our shareholders believe such a proposed transaction would be in their best interest.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the notes, after deducting underwriting discounts and estimated offering expenses, will be approximately $390 million (or approximately $439 million assuming exercise of the underwriters over-allotment option in full).

We intend to use approximately $200 million of the net proceeds of this offering to repurchase prior to maturity or repay at maturity the outstanding $200 million aggregate principal amount of our 2008 convertible notes, which mature on June 15, 2008 and which bear interest at a rate of 1.0% per annum. Any net proceeds from this offering that are not used to repurchase or repay the 2008 convertible notes are expected to be used for general corporate purposes and strategic opportunities, including possible future acquisitions or investments in complementary businesses, technologies or products. We may also use a portion of these remaining net proceeds to repurchase prior to maturity or to redeem, on or after June 23, 2008, all or a portion of the outstanding $200 million aggregate principal amount of our 2013 convertible notes, which mature on June 15, 2013 and which bear interest at a variable rate equal to six-month LIBOR plus 0.375%, reset on each semi-annual interest payment date (June 15 and December 15 of each year). Pending these uses, we expect to invest the net proceeds in short-term, highly rated investment grade securities.

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PRICE RANGE OF COMMON STOCK

Our common stock is traded on The NASDAQ Global Select Market under the trading symbol ADCT. The following table sets forth, for the periods indicated, the low and high closing sales prices per share of our common stock as reported by The NASDAQ Global Select Market:

	High	Low
Fiscal Year Ended October 31, 2006		
First quarter	$ 25.56	17.49
Second quarter	27.15	22.39
Third quarter	23.21	11.98
Fourth quarter	15.59	12.10
Fiscal Year Ended October 31, 2007		
First quarter	$ 16.65	$ 13.51
Second quarter	19.02	15.27
Third quarter	20.70	16.75
Fourth quarter	20.98	15.48
Fiscal Year Ending October 31, 2008		
First quarter (through December 19, 2007)	$ 18.89	$ 15.39

On December 19, 2007, the last reported sale price of our common stock was $15.43 per share.

DIVIDEND POLICY

We have not in the past and currently do not pay any cash dividends on our common stock and do not anticipate paying any cash dividends on our common stock in the foreseeable future. We intend to retain future earnings, if any, to finance our operations and for general corporate purposes.

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